

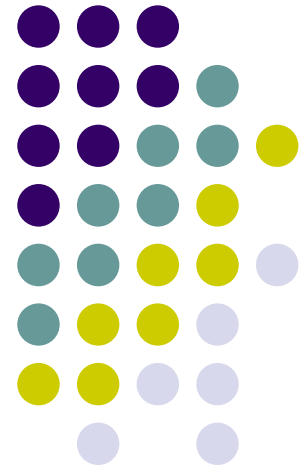
Utilities Privatization Southern Company's Experience

Federal Utility Partnership Working Group

Fall Meeting 2002

David Dykes

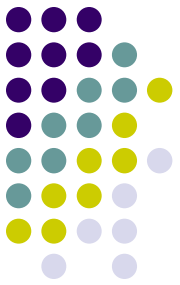
November 20, 2002



"Treasure the  Experience"
tampa

**SOUTHERN
COMPANY**
Energy to Serve Your World™

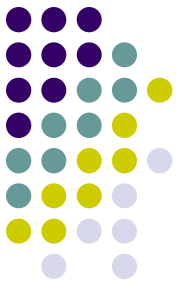
Topics



- Southern Company – Background
- Privatization Involvement
 - Army
 - DESC
 - Air Force
 - Navy
- Obstacles
- Good News



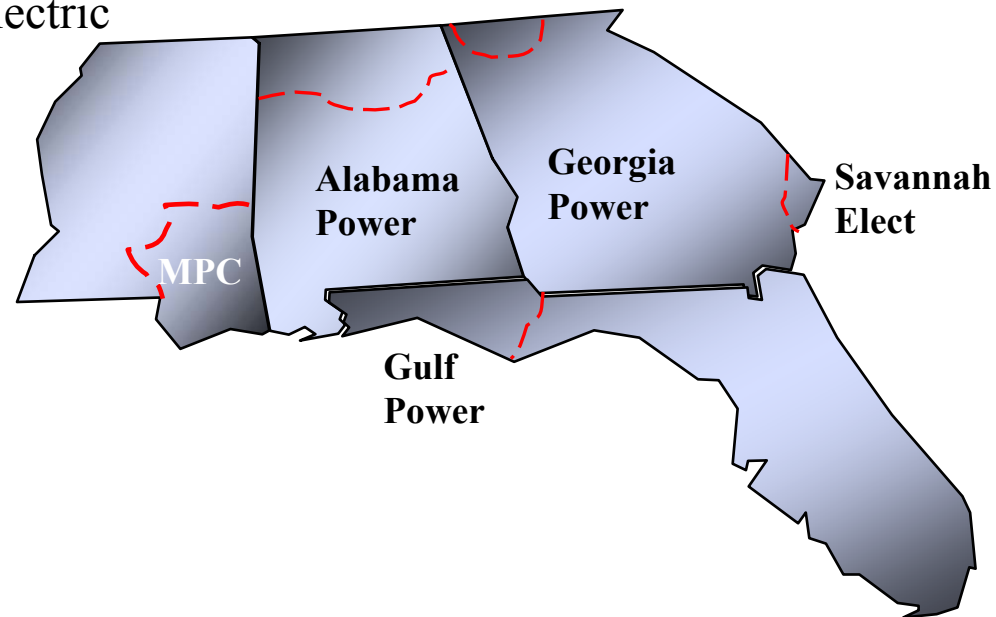
Background



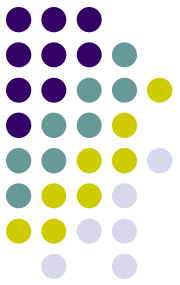
- Southern Company:
 - Parent company to
 - Alabama Power
 - Georgia Power & Savannah Electric
 - Gulf Power
 - Mississippi Power (MPC)

- Active DoD Installations

- Army – 8
- Navy – 10
- Air Force – 7
- Marine Corps – 1

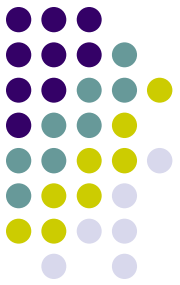


Privatization Involvement - Army



- Fort Benning (Columbus, GA)
 - RFP issued in 1995 with proposals due in late 1996.
 - Contracting authority - Ft Worth COE
 - Georgia Power proposed – disqualified even though GPC already owned the distribution system in Family Housing
 - Poorly written RFP that passed all risk to bidder
 - Compensation for privatization service based on the number of kWh's across the master meter
 - GPC took issue with 10-yr. term
- Awarded to Flint EMC in 1998





Privatization Involvement - Army

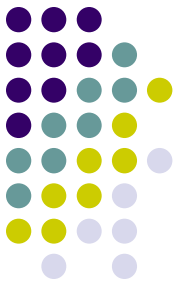
- Forts McPherson/Gillem (Atlanta, GA)
 - RFP issued by the Army Atlanta Contracting Center in 1998
 - Contained a prescriptive pricing structure
 - Price resets each year based on a depreciation formula
 - Price structure caused continuous system upgrades equal to depreciation rate
 - Competition with Coweta-Fayette EMC, City of East Point (Muni)
 - Non-income tax paying entities
 - RFP withdrawn in February 2002

Privatization Involvement – Air Force



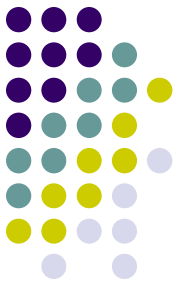
- Maxwell AFB/Gunter Annex, (Montgomery, AL)
 - One of Air Force's "Path Finder" projects
 - Contracting authority is AFCESA
 - RFP issued in 1999
 - Proposal submitted in 2001
 - Continuous negotiation throughout 2002
 - No decision to date





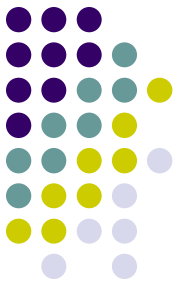
Privatization Involvement - Army

- Fort Stewart/Hunter Army Airfield, (Hinesville/Savannah, GA)
 - Joint privatization effort by Georgia Power and Savannah Electric
 - RFP issued in 1999 by DESC
 - Original proposals due February 2000
 - December 2000, procurement transferred to Huntsville COE
 - HCOE issued amendment – New RFP w/ 2001 contract number and Huntsville's two-step method
 - March 2001 – GPC/Savannah Elect cannot comply w/ CAS
 - Amendment issued to remove CAS
 - Resubmitted proposal in July 2001
 - Negotiated until October 2001
 - Awarded to Canoochee EMC



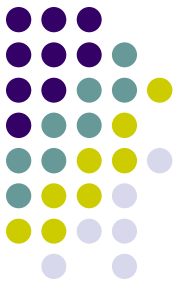
Privatization Involvement - Army

- Fort Stewart/Hunter Army Airfield Con't
 - GPC/Savannah Elect file GAO protested
 - Dec 2001, GAO sustained protest
 - HCOE issues several more Amendments w/ final due date May 2002
 - Five days prior to due date, HCOE reinstates CAS requirements
 - Late June 2002, GPC/Savannah Elect disqualified
 - Did not meet technical requirement
 - Could not comply w/ CAS
 - Did not offer price redetermination in 3-yrs (Offered 20-yr. fixed price)
 - Awarded again to Canoochee EMC



Privatization Involvement - Navy

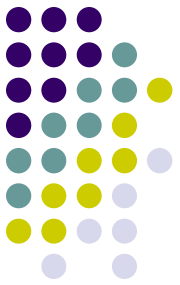
- NAVFAC Southern Division Area D & E
 - RFP issued in late 1999 as Area D and sole sourced most utility systems to the regulated serving utility
 - Area D subsequently divided into Area D & E and all systems competitive
 - Area E issued in March 2000 and included 6 Navy installations
 - 4 installations in Gulf Power territory (Pensacola & Milton, FL)
 - 2 installations in Mississippi Power territory (Gulfport & Pascagoula, MS)
 - Area E proposals submitted July 2002
 - Area D proposals due June 2003
 - Relatively open RFP structure
 - Imposed Navy's Small Business Goals on the procurement



Privatization Involvement - DESC

- Issued RFP for Dobbins ARB (AF) and NAS Atlanta (Navy) June 2000 – (Marietta, GA)
 - Submitted original proposal in February 2001
 - Resubmitted proposal in May 2001 and November 2001
 - Resubmitted proposal to Air Force for Dobbins ARB in October 2002
 - Have been in negotiation mode with DESC, the Air Force and Southern Division NAVFAC since May 2001.
 - Completed negotiations w/ DESC/Air Force October 2002
 - Settled problems w/ Air Force Right of Way document at added expense to AF
 - NAS Atlanta still pending
 - Southern Division appears to be more flexible and will lead to lower cost.
 - Awaiting decision on award

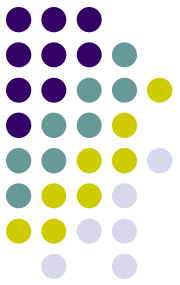
Privatization Involvement - DESC



- Fort Rucker (Daleville, AL)
 - RFP's issued in September 2001
 - Only 4 Amendments issued
 - Proposal submitted in April 2002
 - Have had one negotiating session
 - Awaiting decision or further discussions



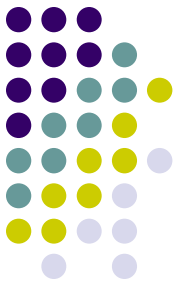
Privatization Involvement - DESC



- Fort Gordon (Augusta, GA)
 - RFP's issued in September 2001
 - Several rounds of questions and answers
 - 6 Amendments issued so far
 - Georgia Power's response influenced by outcome of Fort Stewart/Hunter AAF
 - Proposal in progress
 - Proposal due in January 2003



Privatization Involvement - DESC



- Navy Coastal Systems Station (Panama City Beach, FL)
 - RFP's issued in September 2002
 - Work on proposal just beginning
 - Proposal due in January 2003



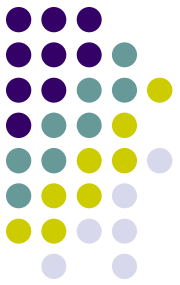
Obstacles



- Cost Accounting Standards (CAS)
 - Regulated utilities keep financial records IAW FERC and State Regulator
 - CAS written for “Defense Contractors”
 - Serving utility is not a Defense Contractor
 - FAR 52.230-3, Cost Accounting Standards
 - Provides waiver for utility services provided by tariff
 - Provides waiver for contracts less than \$7.5 million/yr.
 - Provides waiver for fixed price contracts awarded under competition



Obstacles

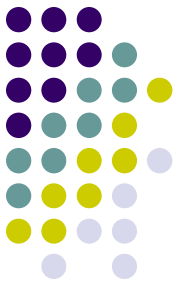


- Right of Way Documents

- Air Force:

- Grantee must indemnify Gov't up to Gov't gross negligence
 - Ability of self insure not permitted
 - Maintenance (trimming) of right of way subject to base commanders approval
 - Order of Precedence – Right of way, Bill of Sale, Contract
 - Army, Navy – Contract is controlling document
 - Beware of “gotchas” in RoW documents





Obstacles

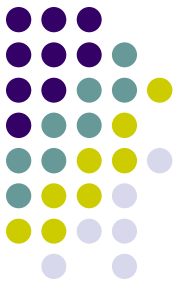
- All Services:
 - No common RFP structure even within a Service
 - Requirement to meet the Service's Small Business Goals
 - Service SB Goals apply to Service branch's total budget
 - Unrealistic to impose requirement for Privatization Contract
 - Navy – Won't accept SBP from GSA Areawide Contract
 - Utility may end up with a different SBP for each contract
 - Process is extremely confrontational
 - De-Brief process doesn't work
 - No common Source Selection Board or standards



Good News



- DESC – Beginning to understand how regulated utilities work
 - Recent events point to an understanding on CAS
 - Navy and Air Force not there yet
- Air Force requesting input on RoW document
- OSD standardizing on cost evaluation tool –
 - Somewhat levels the playing field on cost comparisons - taxable vs. non-taxable
- OSD fixed the disallowance of interest expenses
- Stop the RFP process on small bases
 - Just ask for a proposal



Questions?

